

**Mills Township  
Ogemaw County, Michigan  
Financial Report  
With Supplemental Information  
June 30, 2008**

Mills Township  
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### INDEPENDENT AUDITOR'S REPORT

Township Board  
Mills Township  
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mills Township as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mills Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mills Township as of June 30, 2008, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2008 on our consideration of Mills Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 3 through 8 and pages 24 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter CPAs, P.C.  
Certified Public Accountants  
December 8, 2008

## Management's Discussion and Analysis

As management of Mills Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2008.

### Financial Highlights

- The assets of Mills Township exceeded its liabilities at the close of the most recent fiscal year by \$1,497,943 (*net assets*). Unrestricted net assets for the governmental activities were \$256,035. This amount represents the part of net assets that is available to finance day-to-day operations of the Township.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$764,214, an increase of \$93,149 in comparison with the prior year. Approximately 34% of the total amount, \$256,346, is available for spending at the township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$256,346 or 61% percent of total general fund expenditures.
- The Township's total debt decreased by \$12,000 (11%) during the current fiscal year, due to required annual principal payments.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

The government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (***governmental activities***). The governmental activities of the Township include general government, public safety, public works, health and welfare, community development and recreation and culture. The government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

***Governmental funds.*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Mills Township maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, Fire Equipment Fund, Police Fund, Garbage Fund and Gypsy Moth Fund. Data from the one non-major governmental fund, the Road Fund, is presented in a separate column.

Mills Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund, Fire Fund, Fire Equipment Fund, Police Fund, Garbage Fund and Gypsy Moth Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 14 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-23 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's budgetary comparison schedules for major governmental funds. Required supplementary information can be found on pages 24 through 29 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$1,497,943 at the close of the most recent fiscal year.

The most significant portion of the Township's net assets (\$734,040, or 49%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (\$507,868, or 34%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$256,035, or 17%) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current year, the Township is able to report positive balances in both categories of net assets, the government as a whole, as well as for its separate governmental activities.

### Township's Net Assets

	Governmental Activities June 30, 2008	Governmental Activities June 30, 2007
Current and Other Assets	\$ 850,531	\$ 726,147
Noncurrent assets:		
Capital Assets, Net	827,540	890,209
Total Assets	1,678,071	1,616,356
Current Liabilities	86,628	53,947
Long-term Liabilities Outstanding	93,500	105,500
Total Liabilities	180,128	159,447
Net Assets:		
Invested in Capital Assets (net of debt)	734,040	784,709
Restricted	507,868	476,315
Unrestricted	256,035	195,885
Total Net Assets	\$ 1,497,943	\$ 1,456,909

The Township's net assets increased by \$41,034 during the current fiscal year as discussed below.

### Township's Changes in Net Assets

	<b>Governmental Activities June 30, 2008</b>	<b>Governmental Activities June 30, 2007</b>
<b>Revenue:</b>		
Program Revenue:		
Charges for services	\$324,685	\$290,223
Capital Grants	15,800	-
General Revenue:		
Property Taxes	363,948	499,375
State-Shared Revenues	295,194	292,493
Interest Earnings	19,400	19,153
Other	77,822	57,775
<b>Total Revenue</b>	<b>1,096,849</b>	<b>1,159,019</b>
<b>Expenses:</b>		
General Government	291,479	282,724
Public Safety	239,653	355,513
Public Works	394,768	334,901
Health and Welfare	4,055	8,182
Community Development	22,412	25,330
Recreation and Culture	98,537	102,324
Interest on Long-Term Debt	4,911	5,403
<b>Total Expenses</b>	<b>1,055,815</b>	<b>1,114,377</b>
<b>Increase (Decrease) in Net Assets</b>	<b>41,034</b>	<b>44,642</b>
<b>Net Assets, Beginning of Year</b>	<b>1,456,909</b>	<b>1,412,267</b>
<b>Net Assets, End of Year</b>	<b>\$1,497,943</b>	<b>\$1,456,909</b>

**Governmental activities.** Governmental activities increased the Township's net assets by \$41,034. Governmental revenues decreased by \$72,170 compared to the preceding year. The millage for police protection was not renewed for 2007, resulting in a decrease in revenues of \$155,366. Revenue increases included tax revenues in other funds of approximately \$20,303, an increase in cable TV franchise fees of \$20,507 and a grant for fire equipment of \$15,800. Expenses for the fiscal year decreased by approximately \$58,562 compared to the previous year. Police protection expenses were reduced by \$116,530 as a result of the reduction in property tax revenues, Gypsy Moth suppression expenses increased by \$45,567 as a result of additional spraying costs and garbage service expenses increased by approximately \$12,623.



## **Financial Analysis of the Township's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$764,214, an increase of \$93,149 in comparison with the prior year. Approximately 34% of this total amount (\$194,740) constitutes *unreserved fund balance* in the General Fund, which is available for spending at the Township's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are included in special revenue funds and are not available for current expenditure. The portion of unreserved fund balance that has been designated by the Township Board for capital asset acquisition is \$10,610.

The General Fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance and total fund balance of the general fund were \$256,346. The fund balance in the General Fund increased by \$61,596 for the fiscal year ended June 30, 2008. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent approximately 61% of total general fund expenditures.

The Township maintains separate funds for the police and fire protection activities, funded primarily by tax levies. The fund balances at June 30, 2008 in the Police and Fire Funds were \$0 and \$139,368, respectively. The fund balance in the Fire Fund increased by \$11,464 for the year ended June 30, 2008.

The Township also maintains a Fire Equipment Fund. The tax levy collected is restricted for the purchase of equipment for the Township fire department. The fund balance in the Fire Equipment Fund at June 30, 2008 was \$229,667, an increase of \$25,229 for the year ended June 30, 2008.

The Township levies a special assessment for garbage collection. The fund balance in the Garbage Fund at June 30, 2008 was \$119,222, an increase of \$21,717 for the year ended June 30, 2008.

The Township also maintains a Gypsy Moth Fund. The tax levy collected is restricted for the cost of Gypsy Moth Suppression expenditures. The fund balance in the Gypsy Moth Fund at June 30, 2008 was \$8,203, a decrease of \$27,896 for the year ended June 30, 2008.

The Township Road Fund, maintained to account for special assessments levied for private road maintenance costs, had a fund balance of \$11,408 at June 30, 2008. This was an increase of \$1,039 compared to the prior year.

## **General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The township budgets were not amended during the year.

## Capital Asset and Debt Administration

**Capital assets.** The Township's investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$827,540 (net of accumulated depreciation). This investment in capital assets includes infrastructure, land, buildings, vehicles and equipment. Additions for the fiscal year totaled \$33,679.

	<b>Township's Capital Assets</b> (net of depreciation)	
	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Infrastructure	\$25,882	\$ 27,443
Land	247,228	247,228
Land improvements	56,034	59,920
Buildings and improvements	144,231	149,620
Furniture and Equipment	354,165	405,998
<b>Total</b>	<b>\$827,540</b>	<b>\$890,209</b>

Additional information on the Township's capital assets can be found in note 5 on page 21 of this report.

**Long-term debt.** At the end of the current fiscal year, the Township had an installment purchase agreement outstanding of \$93,500. The installment purchase agreement was used for a portion of the cost of a fire truck purchased for use by the township fire department.

## Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2008-2009 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2007-2008 the Township received \$292,069 in state shared revenue, representing 56% of the revenues in the General Fund. This represented a decrease of \$424 compared to the prior year. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised for any significant changes in projected revenues or expenditures.

## Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mills Township  
Supervisor's Office  
2441 Greenwood Road  
Prescott, Michigan 48756

Mills Township  
Statement of Net Assets  
June 30, 2008

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash (Note 3)	\$ 785,042
Receivables	18,283
Due from other funds	278
Due from governmental units (Note 4)	46,928
Capital assets-net (Note 5)	<u>827,540</u>
Total assets	<u>1,678,071</u>
 <b>Liabilities</b>	
Accounts payable	79,588
Accrued and other liabilities	7,040
Noncurrent liabilities (Note 7):	
Due within one year	12,000
Due in more than one year	<u>81,500</u>
Total liabilities	<u>180,128</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	734,040
Restricted:	
Fire	139,368
Fire equipment	229,667
Garbage service	119,222
Private roads	11,408
Gypsy moth	8,203
Unrestricted	<u>256,035</u>
Total net assets	<u><u>\$ 1,497,943</u></u>

See accompanying notes to financial statements.

Mills Township  
Statement of Activities  
Year ended June 30, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants
Primary government:				
Governmental Activities:				
General government	\$ 291,479	\$ 26,204	\$ -	\$ -
Public safety	239,653	1,015	-	15,800
Public works	394,768	297,466	-	-
Health and welfare	4,055	-	-	-
Community development	22,412	-	-	-
Recreation and culture	98,537	-	-	-
Interest on long term debt	4,911	-	-	-
Total governmental activities	1,055,815	324,685	-	15,800

General Revenues:

Property taxes

State grants

Interest and investment earnings

Other

Total general revenues

**Change in Net Assets**

**Net assets** - beginning of year

**Net assets** - end of year

See accompanying notes to financial statements.

Net (Expense) Revenue  
and Changes  
in Net Assets

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Changes in  
Net Assets  
Governmental  
Activities

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\$	(265,275)
	(222,838)
	(97,302)
	(4,055)
	(22,412)
	(98,537)
	(4,911)

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(715,330)

363,948
295,194
19,400
77,822

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756,364

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41,034

1,456,909

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\$	1,497,943
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Mills Township  
Governmental Funds  
Balance Sheet  
June 30, 2008

	Major Funds		
	General Fund	Fire Fund	Fire Equipment Fund
<b>Assets</b>			
Cash and investments	\$ 246,137	\$ 140,045	\$ 257,141
Accounts receivable	18,283	-	-
Due from other funds	2,877	179	589
Due from other governmental units	43,803	3,125	-
Total assets	<u>\$ 311,100</u>	<u>\$ 143,349</u>	<u>\$ 257,730</u>
<b>Liabilities</b>			
Accounts payable	\$ 47,708	\$ 3,786	\$ 28,063
Due to other funds	317	195	-
Deferred revenue	6,729	-	-
Total liabilities	<u>54,754</u>	<u>3,981</u>	<u>28,063</u>
<b>Fund balances</b>			
Unreserved:			
General Fund	245,710	-	-
Special Revenue Funds	-	139,368	229,667
Designated (Note 13)	10,636	-	-
Total fund balances	<u>256,346</u>	<u>139,368</u>	<u>229,667</u>
 Total liabilities and fund balances	 <u>\$ 311,100</u>	 <u>\$ 143,349</u>	 <u>\$ 257,730</u>

**Fund Balances - Total Governmental Funds**

Elimination of due to and due from governmental funds

    Due to

    Due from

Amounts reported for governmental activities in the statement of net assets  
are different because:

    Capital assets used in governmental activities are not financial resources, and are not  
    reported in the funds.

        Cost of capital assets

        Accumulated depreciation

Accounts receivable are expected to be collected over several years and are not available  
to pay for current year expenditures

Long term liabilities are not due and payable in the current period and are not reported in the  
fund

    Installment purchase agreement

    Compensated absences

Accrued interest is not included as a liability in governmental funds

**Net Assets of Governmental Activities**

See accompanying notes to financial statements.

Major Funds			Nonmajor Fund	Total Governmental Funds
Police Fund	Garbage Fund	Gypsy Moth Fund	Road Fund	
\$ 2,718	\$ 119,222	\$ 8,371	\$ 11,408	\$ 785,042
-	-	-	-	18,283
-	-	-	-	3,645
-	-	-	-	46,928
<u>\$ 2,718</u>	<u>\$ 119,222</u>	<u>\$ 8,371</u>	<u>\$ 11,408</u>	<u>\$ 853,898</u>
\$ 31	\$ -	\$ -	\$ -	\$ 79,588
2,687	-	168	-	3,367
-	-	-	-	6,729
<u>2,718</u>	<u>-</u>	<u>168</u>	<u>-</u>	<u>89,684</u>
-	-	-	-	245,710
-	119,222	8,203	11,408	507,868
-	-	-	-	10,636
<u>-</u>	<u>119,222</u>	<u>8,203</u>	<u>11,408</u>	<u>764,214</u>
<u>\$ 2,718</u>	<u>\$ 119,222</u>	<u>\$ 8,371</u>	<u>\$ 11,408</u>	<u>\$ 853,898</u>
				764,214
				1,967,709
				(1,140,169)
				6,729
				(93,500)
				(6,261)
				(779)
				<u>\$ 1,497,943</u>

Mills Township  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2008

	Major Fund		
	General Fund	Fire Fund	Fire Equipment Fund
<b>Revenues</b>			
Taxes and penalties	\$ 118,439	\$ 148,054	\$ 48,075
Licenses and permits	57,520	-	-
State grants	292,069	3,125	-
Charges for services	12,396	1,015	-
Special assessments	-	-	-
Interest and rentals	26,361	4,140	6,428
Other	18,502	1,800	15,800
Total revenues	<u>525,287</u>	<u>158,134</u>	<u>70,303</u>
<b>Expenditures</b>			
Current:			
General government	262,250	-	-
Public safety	-	146,670	-
Public works	44,797	-	-
Health and welfare	4,055	-	-
Community development	22,412	-	-
Recreation and culture	84,447	-	-
Capital outlay	5,616	-	28,063
Debt service:			
Principal retirement	-	-	12,000
Interest and fiscal charges	-	-	5,011
Total expenditures	<u>423,577</u>	<u>146,670</u>	<u>45,074</u>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	101,710	11,464	25,229
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers (out)	(40,114)	-	-
Total other financing uses	<u>(40,114)</u>	<u>-</u>	<u>-</u>
<b>Change in Fund Balance</b>	61,596	11,464	25,229
<b>Fund balances - Beginning of year</b>	<u>194,750</u>	<u>127,904</u>	<u>204,438</u>
<b>Fund balances - End of year</b>	<u>\$ 256,346</u>	<u>\$ 139,368</u>	<u>\$ 229,667</u>

See accompanying notes to financial statements.



Major Fund			Nonmajor Fund	Total Governmental Funds
Police Fund	Garbage Fund	Gypsy Moth Fund	Road Fund	
\$ 50	\$ -	\$ 49,330	\$ -	\$ 363,948
-	-	-	-	57,520
-	-	-	-	295,194
-	-	-	-	13,411
-	276,151	-	14,406	290,557
288	1,880	1,447	56	40,600
-	-	-	-	36,102
<u>338</u>	<u>278,031</u>	<u>50,777</u>	<u>14,462</u>	<u>1,097,332</u>
-	-	-	-	262,250
40,452	-	-	-	187,122
-	256,314	78,673	13,423	393,207
-	-	-	-	4,055
-	-	-	-	22,412
-	-	-	-	84,447
-	-	-	-	33,679
-	-	-	-	12,000
-	-	-	-	5,011
<u>40,452</u>	<u>256,314</u>	<u>78,673</u>	<u>13,423</u>	<u>1,004,183</u>
(40,114)	21,717	(27,896)	1,039	93,149
40,114	-	-	-	40,114
-	-	-	-	(40,114)
<u>40,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	21,717	(27,896)	1,039	93,149
-	97,505	36,099	10,369	671,065
\$ <u>0</u>	\$ <u>119,222</u>	\$ <u>8,203</u>	\$ <u>11,408</u>	\$ <u>764,214</u>

Mills Township  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
June 30, 2008

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	93,149
---------------------------------------------------------------	----	--------

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;  
in the statement of activities these costs are allocated  
over their estimated useful lives as depreciation.

Depreciation expense	\$	(96,348)	
Capital Outlay		<u>33,679</u>	
			(62,669)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(973)
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Revenues from the sale of Cemetery lots are recorded in the statement of activities when the cemetery lot is sold; they are not reported in the funds until collected or collectible within 60 days of year end	490
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Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental fund until paid	100
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Repayments of installment purchase agreement principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	12,000
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Accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>(1,063)</u>
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<b>Change in Net Assets of Governmental Activities</b>	\$	<u><u>41,034</u></u>
--------------------------------------------------------	----	----------------------

See accompanying notes to financial statements.

Mills Township  
Fiduciary Funds  
Statement of Net Assets  
June 30, 2008

	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$          566
Due from other funds	<u>          348</u>
Total assets	<u><u>\$          914</u></u>
 <b>Liabilities</b>	
Due to taxpayers	\$          288
Due to other funds	626
Due to other governments	<u>          -</u>
Total liabilities	<u><u>\$          914</u></u>

See accompanying notes to financial statements.

Mills Township  
Notes to Financial Statements  
June 30, 2008

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Mills Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

**Reporting Entity**

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

**Government-wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The statements of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Mills Township  
Notes to Financial Statements  
June 30, 2008

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund is used to record property tax revenue, interest earnings and other revenue restricted for fire protection purposes.

The Fire Equipment Fund is used to record property tax revenue, interest earnings and other revenue restricted for the purchase of fire equipment protection purposes.

The Police Fund is used to record interest earnings and other revenue restricted for police protection purposes. The Police Fund was closed out at the end of the year.

The Garbage Fund is used to record special assessment revenue and interest earnings restricted for garbage collection purposes.

The Gypsy Moth Fund is used to record property tax revenue and interest earnings restricted for gypsy moth suppression purposes.

Additionally, the Township reports the following funds:

Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Agency funds include the Tax Collection Fund used to account for property taxes collected and disbursed to other taxing authorities by the Township as required by law and the Trust and Agency Fund used to account for payroll liabilities withheld and remitted.

The Road Fund is used to record activity for special assessment districts established to maintain privately-owned roads.

Mills Township  
Notes to Financial Statements  
June 30, 2008

**Note 1 - Summary of Significant Accounting Policies (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions; and (3) capital grants and contributions, including, special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayer of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2007 taxable value of the Township was \$101,140,874. The 2006 tax levy was .8107 mills for general operating purposes, .4761 mills for the Fire Equipment Fund, 1.4656 mills for the Fire Fund and .4885 mills for the Gypsy Moth Fund. The millage levied raised tax revenue of \$81,866 in the General Fund, \$148,004 in the Fire Fund, \$48,060 in the Fire Equipment Fund and \$49,313 in the Gypsy Moth Fund. These amounts are recorded as tax revenue.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Mills Township  
Notes to Financial Statements  
June 30, 2008

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20 years

Compensated Absences - The Township allows full-time employees to accumulate earned but unused vacation and sick pay benefits. The government-wide financial statements accrue all vacation pay as it is earned. A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 - Stewardship, Compliance and Accountability**

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and activity center. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year. During the year, the budgets were not amended.

The Township has a accumulated fund balance deficits in the individual Special Assessment districts for road maintenance #1, #3, #9, and #13 totaling \$2,290. The deficits are a result of costs paid during the year that will be reimbursed through special assessments in future years.

Mills Township  
Notes to Financial Statements  
June 30, 2008

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General - Public works	\$ 27,500	\$ 44,797	\$ 17,297
General - Health and welfare	-	4,055	4,055
General - Community development	15,000	22,412	7,412
General - Recreation and culture	80,000	84,447	4,447
General - Capital outlay	1,000	5,616	4,616
Fire - Public safety	135,000	146,670	11,670
Fire equipment - Debt service	15,500	17,011	1,511
Garbage - Public works	250,248	256,314	6,066

**Note 3 - Deposits and Investments**

At June 30, 2008, the Township did not have any investments. The Township's deposits were reported in the basic financial statements (in addition to a General Fund petty cash fund of \$50) in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Township Total</u>
Cash and cash equivalents	\$ 784,992	\$ 566	\$ 785,558
Total	<u>\$ 784,992</u>	<u>\$ 566</u>	<u>\$ 785,558</u>

**Investment and deposit risk:**

Interest rate risk

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Township's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The Township has no investments for which ratings are required.

Custodial credit risk - deposits

In the case of deposits, there is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for deposit custodial credit risk. At June 30, 2008, \$251,830 of the Township's bank balances of \$788,190 was exposed to custodial credit risk because it was uninsured.



Mills Township  
Notes to Financial Statements  
June 30, 2008

**Note 3 - Deposits and Investments (Continued)**

Michigan Compiled Laws, Section 129.91 authorizes the Township to deposit and invest in accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Mills Township Board has designated three financial institutions for deposit of Mills Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposits, but not the remainder of State statutory authority as listed above.

Mills Township's deposits and investments are in accordance with statutory authority.

**Note 4 - Receivables**

Receivables as of year-end for the Township's individual major funds and the nonmajor and fiduciary funds in aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Other Major and Non- Major Funds	Total
Accounts receivable	\$ 18,283	\$ -	\$ 18,283
Less: Allowance for uncollectibles	-	-	-
Total receivables	<u>\$ 18,283</u>	<u>\$ 0</u>	<u>\$ 18,283</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Cemetery lot sales	\$ 6,729	\$ -
Totals	<u>\$ 6,729</u>	<u>\$ -</u>
Total deferred revenue	<u>\$ 6,729</u>	<u>\$ 6,729</u>

Mills Township  
Notes to Financial Statements  
June 30, 2008

**Note 5 - Capital Assets**

Capital asset activity of the Township's governmental activities were as follows:

**Governmental Activities**

<u>Assets</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated - Land	\$ 247,228	\$ -	\$ -	\$ 247,228
Capital assets being depreciated:				
Infrastructure	31,215	-	-	31,215
Land improvements	80,328	-	-	80,328
Buildings	234,985	-	-	234,985
Furniture and equipment	<u>1,365,129</u>	<u>33,679</u>	<u>24,855</u>	<u>1,373,953</u>
Subtotal	<u>1,958,885</u>	<u>33,679</u>	<u>24,855</u>	<u>1,967,709</u>
<u>Accumulated Depreciation</u>				
Infrastructure	3,772	1,561	-	5,333
Land improvements	20,408	3,886	-	24,294
Buildings	85,365	5,389	-	90,754
Furniture and equipment	<u>959,131</u>	<u>85,512</u>	<u>24,855</u>	<u>1,019,788</u>
Subtotal	<u>1,068,676</u>	<u>96,348</u>	<u>24,855</u>	<u>1,140,169</u>
Net capital assets being depreciated	<u>890,209</u>	<u>(62,669)</u>	<u>-</u>	<u>827,540</u>
Net capital assets	\$ <u>890,209</u>	\$ <u>(62,669)</u>	\$ <u>0</u>	\$ <u>827,540</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 28,166
Public safety:	
Fire Department	44,836
Police Department	7,695
Public works	1,561
Recreation	14,090
Total governmental activities	<u>\$ 96,348</u>

Mills Township  
Notes to Financial Statements  
June 30, 2008

**Note 6 - Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Amount</u>
General Fund	\$ 2,877	General Fund	\$	317
Gypsy Moth Fund	-	Gypsy Moth Fund		168
Fire Fund	179	Fire Fund		195
Fire Equipment	589	Fire Equipment		-
Police Fund	-	Police Fund		2,687
Trust & Agency		Trust & Agency		53
Tax Fund	348	Tax Fund		573
Total	<u>\$ 3,993</u>	Total	\$	<u>3,993</u>
<u>Transfer In</u>		<u>Transfer Out</u>		
Police Fund	\$ 40,114	General Fund	\$	40,114
Total Transfer In	<u>\$ 40,114</u>	Total Transfer Out	\$	<u>40,114</u>

**Note 7 - Long-term Debt**

The following is a summary of the installment purchase agreements outstanding as of June 30, 2007:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment Purchase Agreement-						
Assigned to Department						
of Agriculture-U.S.A.	2015	4.75%	\$ 105,500	\$ (12,000)	\$ 93,500	\$ 12,000
Total long-term debt			<u>\$ 105,500</u>	<u>\$ (12,000)</u>	<u>\$ 93,500</u>	<u>\$ 12,000</u>

**Installment Purchase Agreement**

Installment purchase agreement assigned to US Department of Agriculture in the amount of \$166, 500 to finance purchase of fire truck from Kovatch Mobile Equipment Corp. Annual payment due April 27 with interest at 4.75%.

Annual debt service requirements to maturity (excluding amortization of discounts and deferred charges) for the above bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 12,000	\$ 4,441	\$ 16,441
2010	13,000	3,871	16,871
2011	13,000	3,254	16,254
2012	13,000	2,636	15,636
2013	14,000	2,019	16,019
2014	14,000	1,354	15,354
2015	14,500	689	15,189
Total	<u>\$ 93,500</u>	<u>\$ 18,264</u>	<u>\$ 111,764</u>

**Note 8 - Risk Management**

Mills Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

**Note 9 - Road Fund**

The Township contracts for maintenance of thirteen private roads with the Ogemaw County Road Commission. The costs incurred are reimbursed through special assessments.

The Township is periodically required to pay for grading and graveling costs to upgrade the private roads before renewing their maintenance contract with the Ogemaw County Road Commission. The assessments against benefited properties for upgrade costs are payable over a five-year period.

**Note 10 - Commitments**

**Sanitation Service** - The Township levied a special assessment of \$80.37 per dwelling on the 2007 tax roll for residential trash collection. The Township has contracted with Waste Management, Inc. to provide the weekly trash collection service. The Township is billed monthly by the contractor for this service.

**Police Protection** - The Township has contracted with the Ogemaw County Sheriff Department for two full-time police officers to provide law enforcement for the Township, as well as additional part-time summer help. The cost per quarter for the full-time officers for 2007 \$36,053. The contract expired on September 30, 2007.

**Note 11 - Designated Fund Balance**

The Township Board has designated \$10,636 in the General Fund for capital asset acquisitions in future periods.

## **Required Supplemental Information**

Mills Township  
Budgetary Comparison Schedule - General Fund  
Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	6/30/08	6/30/08	Amounts-	With Final
	Original	Final	Budgetary	Budget-
			Basis	Favorable
				(Unfavorable)
<b>Fund Balance - Beginning of year</b>	\$ 173,212	\$ 173,212	\$ 194,750	\$ 21,538
<b>Resources (Inflows)</b>				
Taxes and fees	112,000	112,000	118,439	6,439
Licenses and permits	37,000	37,000	57,520	20,520
State grants	280,000	280,000	292,069	12,069
Charges for services	12,000	12,000	12,396	396
Interest and rentals	20,000	20,000	26,361	6,361
Other	14,270	14,270	18,502	4,232
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>648,482</u>	<u>648,482</u>	<u>720,037</u>	<u>71,555</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	273,700	273,700	262,250	11,450
Public works	27,500	27,500	44,797	(17,297)
Health and welfare	-	-	4,055	(4,055)
Community development	15,000	15,000	22,412	(7,412)
Recreation and culture	80,000	80,000	84,447	(4,447)
Capital outlay	1,000	1,000	5,616	(4,616)
Other	-	-	-	-
Operating transfers out	54,053	54,053	40,114	13,939
Total charges to appropriations	<u>451,253</u>	<u>451,253</u>	<u>463,691</u>	<u>(12,438)</u>
<b>Fund Balance - end of year</b>	<u>\$ 197,229</u>	<u>\$ 197,229</u>	<u>\$ 256,346</u>	<u>\$ 59,117</u>

Mills Township  
 Budgetary Comparison Schedule - Fire Fund  
 Year ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>6/30/08</u>	<u>6/30/08</u>	<u>Amounts-</u>	<u>With Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Budget-</u>
			<u>Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>Fund Balance - Beginning of year</b>	\$ 140,486	\$ 140,486	\$ 127,904	\$ (12,582)
<b>Resources (Inflows)</b>				
Taxes and fees	151,500	151,500	148,054	(3,446)
State grants	-	-	3,125	3,125
Charges for services	-	-	1,015	1,015
Fines and forfeits	-	-	-	-
Interest and rentals	3,600	3,600	4,140	540
Other	-	-	1,800	1,800
Amounts available for appropriation	<u>295,586</u>	<u>295,586</u>	<u>286,038</u>	<u>(9,548)</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	135,000	135,000	146,670	(11,670)
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	10,000	10,000	-	10,000
Debt service	-	-	-	-
Total charges to appropriations	<u>145,000</u>	<u>145,000</u>	<u>146,670</u>	<u>(1,670)</u>
<b>Fund Balance - end of year</b>	<u>\$ 150,586</u>	<u>\$ 150,586</u>	<u>\$ 139,368</u>	<u>\$ (11,218)</u>

Mills Township  
 Budgetary Comparison Schedule - Fire Equipment Fund  
 Year ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>6/30/08</u>	<u>6/30/08</u>	<u>Amounts-</u>	<u>With Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Budget-</u>
			<u>Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>Fund Balance - Beginning of year</b>	\$ 204,629	\$ 204,629	\$ 204,438	\$ (191)
<b>Resources (Inflows)</b>				
Taxes and fees	50,500	50,500	48,075	(2,425)
Interest and rentals	6,800	6,800	6,428	(372)
Other	-	-	15,800	15,800
Amounts available for appropriation	<u>261,929</u>	<u>261,929</u>	<u>274,741</u>	<u>12,812</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	175,000	175,000	28,063	146,937
Debt service	15,500	15,500	17,011	(1,511)
Total charges to appropriations	<u>190,500</u>	<u>190,500</u>	<u>45,074</u>	<u>145,426</u>
<b>Fund Balance - end of year</b>	<u>\$ 71,429</u>	<u>\$ 71,429</u>	<u>\$ 229,667</u>	<u>\$ 158,238</u>



Mills Township  
 Budgetary Comparison Schedule - Police Fund  
 Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	6/30/08	6/30/08	Amounts-	With Final
	Original	Final	Budgetary	Budget-
			Basis	Favorable
				(Unfavorable)
<b>Fund Balance - Beginning of year</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Taxes and fees	-	-	50	50
Interest and rentals	-	-	288	288
Other	-	-	-	-
Transfers from other funds	49,445	49,445	40,114	(9,331)
Amounts available for appropriation	<u>49,445</u>	<u>49,445</u>	<u>40,452</u>	<u>(8,993)</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	49,445	49,445	40,452	8,993
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total charges to appropriations	<u>49,445</u>	<u>49,445</u>	<u>40,452</u>	<u>8,993</u>
<b>Fund Balance - end of year</b>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

Mills Township  
 Budgetary Comparison Schedule - Garbage Fund  
 Year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>6/30/08</u>	<u>6/30/08</u>	<u>Amounts-</u>	<u>With Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Budget-</u>
			<u>Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>Fund Balance - Beginning of year</b>	\$ 96,974	\$ 96,974	\$ 97,505	\$ 531
<b>Resources (Inflows)</b>				
Taxes and fees	-	-	-	-
Special assessments	250,000	250,000	276,151	26,151
Interest and rentals	1,600	1,600	1,880	280
Other	-	-	-	-
Amounts available for appropriation	<u>348,574</u>	<u>348,574</u>	<u>375,536</u>	<u>26,962</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	250,248	250,248	256,314	(6,066)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Contributions to other funds	-	-	-	-
Total charges to appropriations	<u>250,248</u>	<u>250,248</u>	<u>256,314</u>	<u>(6,066)</u>
<b>Fund Balance - end of year</b>	<u>\$ 98,326</u>	<u>\$ 98,326</u>	<u>\$ 119,222</u>	<u>\$ 20,896</u>

Mills Township  
 Budgetary Comparison Schedule - Gypsy Moth Fund  
 Year ended June 30, 2008

	Budgeted Amounts		Actual Amounts- Budgetary Basis	Variance With Final Budget- Favorable (Unfavorable)
	6/30/08 Original	6/30/08 Final		
<b>Fund Balance</b> - Beginning of year	\$ 45,632	\$ 45,632	\$ 36,099	\$ (9,533)
<b>Resources (Inflows)</b>				
Taxes and fees	50,500	50,500	49,330	(1,170)
Interest and rentals	1,000	1,000	1,447	447
Other	-	-	-	-
Amounts available for appropriation	<u>97,132</u>	<u>97,132</u>	<u>86,876</u>	<u>(10,256)</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	25,000	25,000	78,673	(53,673)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total charges to appropriations	<u>25,000</u>	<u>25,000</u>	<u>78,673</u>	<u>(53,673)</u>
<b>Fund Balance</b> - end of year	<u>\$ 72,132</u>	<u>\$ 72,132</u>	<u>\$ 8,203</u>	<u>\$ (63,929)</u>

## APPENDICES



# ROBERTSON & CARPENTER CPAs, P.C.

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Rodney C. Robertson, CPA

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Township Board  
Mills Township  
Ogemaw County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Mills, Ogemaw County, Michigan, as of and for the year ended June 30, 2008, which comprise Mills Township's basic financial statements and have issued our report thereon dated December 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mills Township's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mills Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Mills Township's financial statements that is more than inconsequential will not be prevented or detected by Mills Township's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

### Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Mills Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mills Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mills Township's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Mills Township's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, the Township Board, others within the Township and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Robertson & Carpenter CPAs, P.C.  
Certified Public Accountants  
Rose City, Michigan  
December 8, 2008

Mills Township  
Schedule of Findings and Responses  
Year ended June 30, 2008

**FINDING**

**Lack of adequate controls to produce full-disclosure GAAP basis financial statements.**

*Requirement:* All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including related footnotes.

*Condition:* The Township, as is common in smaller and medium sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

*Cause:* This condition is caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

*Effect:* The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**RESPONSE**

The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.